Financial and Operating Highlights

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Financial				
Oil and natural gas sales	**$ 14,040,260**	$ 138,123	**$ 24,636,922**	$ 296,167
Funds flow from operations (1)	**5,211,946**	(282,642)	**7,137,230**	(915,162)
Per share, basic	**0.40**	(0.02)	**0.55**	(0.07)
Per share, diluted	**0.07**	(0.02)	**0.14**	(0.07)
Income (loss)	**(334,256)**	(567,545)	**77,178**	(2,134,276)
Per share, basic	**(0.03)**	(0.04)	**0.01**	(0.17)
Per share, diluted	**(0.03)**	(0.04)	**0.01**	(0.17)
Capital expenditures	**2,847,732**	777,103	**3,891,634**	2,493,064
Property acquisitions	**1,522,782**	-	**82,159,743**	-
Working capital (deficit) *(end of period)*			**(44,373,757)**	29,342
Non-current debentures *(end of period)*			**(30,709,720)**	(1,326,613)
Shareholders' deficiency *(end of period)*			**(1,829,505)**	(710,941)
Shares outstanding *(end of period)*				
Class A			**12,963,001**	12,813,001
Class B			**2,055,840**	555,840
Options outstanding *(end of period)*			**1,791,000**	1,281,000
Weighted-average basic shares outstanding	**12,963,001**	12,813,001	**12,893,221**	12,813,001
Weighted-average diluted shares outstanding	**12,963,001**	12,813,001	**14,481,900**	12,813,001
Class A share trading price				
High	**1.25**	0.50	**1.47**	1.20
Low	**0.65**	0.45	**0.50**	0.40
Close	**1.00**	0.50	**1.00**	0.50
Operations (2)				
Production				
Natural gas *(Mcf/d)*	**25,443**	397	**14,427**	352
NGL *(bbls/d)*	**621**	5	**348**	3
Crude oil *(bbls/d)*	**447**	3	**266**	2
Total *(boe/d)*	**5,308**	74	**3,018**	63
Benchmark prices				
Natural gas				
AECO *(Cdn$/GJ)*	**2.32**	2.16	**2.90**	2.01
Crude oil				
WTI *(US$/bbl)*	**105.82**	92.18	**98.15**	96.16
Edmonton par *(Cdn$/bbl)*	**105.17**	84.77	**95.57**	87.28
Average realized prices				
Natural gas *(per Mcf)*	**2.58**	2.47	**2.99**	2.18
Natural gas liquids *(per bbl)*	**66.21**	64.97	**62.01**	67.14
Crude oil *(per bbl)*	**102.61**	83.52	**95.89**	79.59
Operating netback *(per boe)*	**12.32**	11.04	**13.32**	7.44
Funds flow netback *(per boe)*	**10.67**	(41.84)	**8.66**	(53.05)

(1) See "Non-GAAP measures".

(2) For a description of the boe conversion ratio, refer to the commentary in the Management's Discussion and Analysis under Basis of Barrel of Oil Equivalent.

Third Quarter 2013 Corporate Highlights

- Averaged production of 5,308 boe per day, 80 percent natural gas.
- Achieved record quarterly sales of $14.04 million.
- Achieved record funds flow from operations of $5.21 million ($0.40 per basic share).
- Made capital expenditures of $2.85 million, focused on facility maintenance, well work-overs and participation in non-operated horizontal oil drilling.
- Surveyed five 100 percent working interest oil drilling locations at Open Lake. Exiting the quarter, land work was underway for three 100 percent working interest drilling locations at Bow Island and Thorsby.

President's Message

The third quarter of 2013 marked the first full quarter of operations following the previously announced Advantage asset acquisition on April 30, 2013. During the quarter the Corporation achieved a number of all-time highs including record high production, revenue and funds flow from operations. We are very pleased with the acquired assets, which continue to produce as expected with relatively low decline profiles, and are serving as a solid foundation for Questfire's growth plans with oil drilling to commence in this quarter.

Facility maintenance was a priority during the quarter, with four major compressor overhauls performed as well as a significant natural gas plant turnaround in the Lookout Butte field during September. Field staff did an excellent job of minimizing this scheduled downtime, helping to achieve average quarterly production of 5,308 boe per day during the quarter.

Questfire's technical team was busy throughout the quarter, identifying and preparing drilling locations for the fourth quarter and beyond. Up to 17 infill drilling locations, targeting Deep Basin light oil zones, have been identified at Open Lake. Five of these seventeen locations, all at 100 percent working interest, were surveyed during the quarter, with drilling planned for late in the fourth quarter of 2013 and the first quarter of 2014. Other locations being prepared for the fourth-quarter drilling program include two 100 percent exploratory oil well locations in Bow Island in Southeast Alberta and a 100 percent working interest oil location in the Thorsby field in Central Alberta. We also elected to participate in the drilling of a horizontal oil well in the Wildmere field, with a one-third non-operated working interest, which will be drilled in the fourth quarter.

Questfire's strategy for the fourth quarter 2013 is to employ a modest capital budget of approximately $4 million. This capital spending is to be financed primarily from cash flow and is focused mainly on increasing light oil production via drilling and recompletion opportunities on our asset base, as well as on the maintenance and optimization of our producing natural gas assets. If warranted by drilling success, Questfire has sufficient bank line room (approximately $17 million) to accelerate oil development.

At the time of this report, the winter heating season is commencing, with North American natural gas storage just starting to transition from net injection to net withdrawal. Although current natural gas prices are at levels comparable to a year ago, we believe the fundamentals for the continued strengthening of natural gas prices are in place. Natural gas consumption continues to grow and the industry is making progress on a number of liquefied natural gas (LNG) export projects around North America, which we believe will drive increased future demand over the medium to longer term. On the supply side, overall North American natural gas production is slowly reaching a plateau, with most basins showing declining or flat natural gas production.

The Questfire team will continue to carefully manage the asset base and will continue to protect cash flow with an active commodity price hedging program. Our main goals continue to be to maintain and optimize natural gas production while increasing our oil production and overall cash flow without significantly increasing overall debt.

On behalf of the Board of Directors,

(Signed) "Richard Dahl"

Richard H. Dahl
President and Chief Executive Officer
November 19, 2013

Management's Discussion and Analysis

This management's discussion and analysis (MD&A) of operating and financial results of Questfire Energy Corp. ("Questfire" or the "Corporation") is dated November 19, 2013 and is based on currently available information. It should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes for the three and nine months ended September 30, 2013 and the audited financial statements for the years ended December 31, 2012 and 2011. Unless otherwise noted, all financial information was prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. These documents, along with other statutory filings, including the Corporation's Annual Information Form, are available on SEDAR at www.sedar.com and at the Corporation's website at www.questfire.ca.

Refer to the end of the MD&A for commonly used abbreviations.

Readers should read the section Forward-Looking Statements at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" under securities regulations.

Description of Business

The Corporation is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in Canada. Its focus is to generate and develop its own prospects, acquire oil and natural gas properties directly and/or through farm-in, and participate with joint venturers and other industry partners in oil and natural gas exploration and development in Alberta. Questfire is traded on the TSX Venture Exchange under the symbols Q.A and Q.B.

Financial and Operating Results

Production

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
Volumes				
Natural gas *(Mcf)*	**2,340,782**	36,502	**3,938,491**	96,320
NGL *(bbls)*	**57,086**	429	**94,941**	695
Crude oil *(bbls)*	**41,118**	242	**72,623**	502
Total sales *(boe)*	**488,334**	6,755	**823,979**	17,250
Daily average volume				
Natural gas *(Mcf/d)*	**25,443**	397	**14,427**	352
NGL *(bbls/d)*	**621**	5	**348**	3
Crude oil *(bbls/d)*	**447**	3	**266**	2
Total sales *(boe/d)*	**5,308**	74	**3,018**	63
Production weighting				
Natural gas	**80%**	90%	**80%**	93%
NGL	**12%**	6%	**11%**	4%
Crude oil	**8%**	4%	**9%**	3%
	100%	100%	**100%**	100%
Production by cash-generating unit (CGU) ***(boe/d)***				
Red Deer	**1,130**	-	**646**	-
South	**850**	-	**506**	-
Medicine Hat	**741**	-	**414**	-
Open Lake	**739**	-	**399**	-
East Central	**501**	71	**280**	61
Westerose	**409**	-	**230**	-
Brazeau River	**358**	-	**203**	-
Northwest	**314**	3	**188**	2
Crossfield	**255**	-	**146**	-
Edmonton	**11**	-	**6**	-
Total	**5,308**	74	**3,018**	63

The production added through the acquisition of assets from Advantage Oil & Gas Ltd., which closed on April 30, accounted for 5,300 boe per day and 3,007 boe per day, respectively, in the three and nine months ended September 30, 2013. In October 2013, Questfire's production averaged approximately 5,264 boe per day.

Sales

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Natural gas	**6,041,495**	90,040	**11,786,431**	209,550
NGL	**3,779,840**	27,870	**5,886,894**	46,665
Crude oil	**4,218,925**	20,213	**6,963,597**	39,952
Total	**14,040,260**	138,123	**24,636,922**	296,167
Average realized prices				
Natural gas *($/Mcf)*	**2.58**	2.47	**2.99**	2.18
NGL *($/bbl)*	**66.21**	64.97	**62.01**	67.14
Crude oil *($/bbl)*	**102.61**	83.52	**95.89**	79.59
Combined average *($/boe)*	**28.75**	20.45	**29.90**	17.17

Sales grew in the quarter due to the acquisition that closed on April 30. The third quarter was the first in which a full quarter elapsed since the acquisition. Acquired operations comprised substantially all of the third quarter's sales. All of the Corporation's production is marketed by third-party marketers.

Realized commodity prices changed in step with the applicable underlying price benchmark. Questfire's natural gas production has an average heating value of 39.4 megajoules per cubic metre (MJ/m3), realizing a price premium to the standard heating content, while the Corporation's NGL is comprised approximately 45 percent of condensate, the highest-priced NGL, and the grade of crude oil produced approximates that of Edmonton light. All of this is favourable to the Corporation's average realized prices. Going forward, the Corporation has hedged a significant proportion of its production, which will reduce price volatility (see "Risk Management" below).

Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Royalties	**1,589,376**	7,399	**2,900,266**	29,291
Per boe	**3.25**	1.10	**3.52**	1.70
Percentage of sales	**11.3%**	5.4%	**11.8%**	9.9%

Questfire's royalty burdens include Crown, Indian, gross over-riding royalties and freehold royalties applicable on the Corporation's revenue. The increase in royalty expense is due to the April 30 acquisition.

Acquired operations comprised substantially all of the third quarter's royalties. The royalty rates did not significantly change as a result of the acquisition.

Production and Operating Expense

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Production and operating expense	**6,011,520**	49,791	**10,037,564**	123,344
Per boe	**12.31**	7.37	**12.18**	7.15

Production and operating expenses increased on a boe basis from the comparative periods due to the larger proportion of non-operated and lower-working-interest production in the acquired assets, as well as a number of the acquired assets having received little to no capital investment for a number of years, leading to under-utilized field facilities and general inefficiencies. Acquired operations comprised substantially all of the third quarter's production and operating expense. Upon closing of the acquisition, the Corporation began formulating plans for field-wide production optimization at a number of its properties to reduce per-boe operating costs in future periods, including well workovers, recompletions and reactivations, with a view to initiating activities as early in the third quarter as possible. Activity began in the third quarter at several properties (see "Capital Expenditures").

Transportation Expense

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Transportation expense	**424,875**	6,359	**726,694**	15,167
Per boe	**0.87**	0.94	**0.88**	0.88

The slight decrease in transportation expense per boe for the three months ended September 30, 2013 from the three months ended September 30, 2012 was due to the April 30 acquisition. Acquired operations comprised substantially all of the third quarter's transportation expense.

Risk Management

Oil and natural gas are commodities whose prices are determined by worldwide and/or regional demand, supply and other factors, all of which are beyond Questfire's control. World prices for oil and natural gas have fluctuated widely in recent years. Material price decline could result in a reduction of the Corporation's net production revenue. Certain wells or other projects might become uneconomic as a result of a decline in oil and natural gas prices. All of these factors could result in a material decrease in Questfire's future net production revenue, causing a reduction in its oil and natural gas acquisition and development activities. A sustained material decline in prices from historical averages could limit Questfire's borrowing base, therefore reducing the bank credit available to Questfire, and could require that a portion of any bank debt be repaid.

Management of cash flow variability is integral to the Corporation's business strategy. Changing business conditions are monitored regularly and reviewed with the Board of Directors to establish risk management guidelines used by management in carrying out the Corporation's strategic risk management program. The risk exposure inherent in movements in the price of crude oil and natural gas is proactively managed by Questfire through the use of derivatives with investment-grade counterparties.

The Corporation considers these derivative contracts to be an effective means to manage cash flow and commodity price risk.

The Corporation has elected not to use hedge accounting and, accordingly, the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the income for that period. As a result, income may fluctuate considerably.

At September 30, 2013 Questfire had the following crude oil and natural gas risk management contracts with a total mark-to-market liability value of $152,812:

Period	Commodity	Type of contract	Quantity	Pricing point	Contract price
Oct. 1/13 - Dec. 31/13	Natural gas	Fixed price	14,000 GJ/d	AECO 7A	Cdn$3.05/GJ
Oct. 1/13 - Dec. 31/13	Natural gas	Purchased put (1)	10,000 GJ/d	AECO 7A	Cdn$3.00/GJ
Oct. 1/13 - Dec. 31/13	Crude oil	Fixed price	250 bbls/d	WTI Nymex	Cdn$97.25/bbl
Jan. 1/14 - Dec. 31/14	Natural gas	Fixed price	8,000 GJ/d	AECO 7A	Cdn$3.3575/GJ
Jan. 1/14 - Dec. 31/14	Natural gas	Purchased put (2)	5,000 GJ/d	AECO 7A	Cdn$3.00/GJ
Jan. 1/14 - Dec. 31/14	Natural gas	Purchased put (3)	2,500 GJ/d	AECO 7A	Cdn$3.00/GJ
Jan. 1/14 - Dec. 31/14	Crude oil	Fixed price	200 bbls/d	WTI Nymex	Cdn$94.80/bbl

(1) The put contract required the Corporation to pay a premium of $169,050 at inception.

(2) The put contract requires the Corporation to pay a monthly premium of approximately $28,000 over the term for a total premium of $332,150.

(3) The put contract required the Corporation to pay a premium of $173,375 at inception.

New contracts entered into during the quarter were put options, which provide Questfire with downside price protection, while enabling the Corporation to realize the full upside of any increase in natural gas pricing.

These contracts are considered to be financial instruments, and the resulting derivative financial asset or liability is recorded on the Corporation's balance sheet, with the unrealized gain or loss being recorded on the statement of income (loss) and comprehensive income (loss).

	Three months ended September 30,		**Nine months ended September 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Realized gain on risk management contracts	**512,575**	-	**176,496**	-
Per boe	**1.05**	-	**0.21**	-
Unrealized gain (loss) on risk management contracts	**(467,019)**	-	**2,287,402**	-
Per boe	**(0.96)**	-	**2.78**	-

General and Administrative (G&A) and Transaction Expense

	Three months ended September 30, 2013 $	2012 $	Nine months ended September 30, 2013 $	2012 $
G&A and transaction expense	**1,296,252**	292,592	**3,742,798**	853,603
Cash expense, per boe	**2.49**	43.31	**4.44**	49.48
Non-cash office lease amortization, per boe	**0.16**	-	**0.10**	-
Total expense, per boe	**2.65**	43.31	**4.54**	49.48

G&A increases over 2012 are mainly due to acquisition costs incurred in the amount of $nil and $1,228,416 in the respective three and nine-month periods ended September 30, 2013, as well as increased office activity starting in the second quarter of 2013 as Questfire began operating the acquired assets. G&A expense per unit of production declined sharply period-over-period due to the Corporation's much higher production base resulting from the acquisition.

Share-Based Compensation

	Three months ended September 30, 2013 $	2012 $	Nine months ended September 30, 2013 $	2012 $
Share-based compensation	**51,486**	27,360	**92,243**	82,082
Per boe	**0.10**	4.05	**0.11**	4.76

The increase in the three months ended September 30, 2013 from the comparative period is a result of stock options issued in the second and third quarters of 2013. These options were issued in association with increasing staffing resulting from the asset acquisition during the second quarter of 2013.

The Corporation granted a total of 325,000 and 510,000 options in the respective three and nine months ended September 30, 2013 at a Class A share weighted-average exercise price of $0.87 and $1.01 per option, respectively. There were 1,791,000 options outstanding at September 30, 2013 and 1,971,000 outstanding as of the date of this report. There were 427,000 options exercisable at September 30, 2013.

Subsequent to the end of the quarter, the Corporation granted a total of 180,000 stock options to employees and a director, of which 75,000 were granted to the director, at an exercise price of $0.95 per Class A share, based on the closing market price on the day immediately preceding the grant. The options will vest as to one third on each of the first, second and third anniversaries of granting and expire ten years from granting.

Exploration and Evaluation (E&E) Expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
E&E expense	**100,000**	64,624	**350,000**	189,924
Per boe	**0.21**	9.57	**0.43**	11.01
E&E impairment	**-**	-	**-**	999,309
Per boe	**-**	-	**-**	57.93

A $999,309 E&E impairment was recorded in the first quarter of 2012.

E&E expenses increased in the three and nine months ended September 30, 2013 from the comparative periods is due to higher salaries for E&E personnel. The decrease in E&E expenses per unit of production is due to the Corporation's much higher production base following the closing of the asset acquisition.

Depletion and Depreciation (D&D)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
D&D	**2,978,900**	94,468	**4,977,333**	198,388
Per boe	**6.10**	13.99	**6.04**	11.50

The current periods' increase in D&D from the prior year's comparative periods is a result of the Corporation's higher production in 2013 as a result of the asset acquisition. On per-boe basis, D&D decreased significantly as a result of the anticipated long reserve life of the assets acquired on April 30, 2013.

Impairment

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Impairment	**-**	124,000	**-**	124,000
Per boe	**-**	18.36	**-**	7.19

The Corporation recorded a write-down of property and equipment of $124,000 during the third quarter of 2012. The impairment related to the Corporation's East Central CGU and was a result of management's assessment of expected future recoverable proved and probable reserves of the related asset being reduced from previous estimates. No property and equipment impairment was recognized in 2013.

Finance Income and Expense

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Finance income				
Interest on cash and cash equivalents	**-**	3,604	**-**	10,895
Finance expense				
Part XII.6 tax on flow-through shares	**-**	(9,438)	**-**	(28,199)
Interest on convertible debentures	**(534,930)**	(46,975)	**(950,935)**	(46,975)
Interest on demand loan	**(431,528)**	-	**(733,047)**	-
Financing costs	**-**	-	**(488,488)**	-
Accretion on decommissioning provision	**(400,134)**	(1,046)	**(663,820)**	(2,557)
Accretion on Class B share liability	**(376,045)**	(82,748)	**(736,398)**	(242,990)
Accretion on convertible debentures	**(318,985)**	(26,198)	**(566,572)**	(26,198)
	(2,061,622)	(166,405)	**(4,139,260)**	(346,919)
Net finance expense	**(2,061,622)**	(162,801)	**(4,139,260)**	(336,024)
Per boe	**(4.22)**	(24.10)	**(5.03)**	(19.48)

Convertible debenture accretion increased due to the 2012 convertible debenture issuance in July 2012 and the 2013 issuance on April 30, 2013.

Accretion on Class B shares and interest on demand loan increased due to the Class B shares issued and debt incurred to complete the April 30, 2013 asset acquisition.

Decommissioning accretion increased due to the significant increase in the number of wells requiring future decommissioning as a result of the April 30, 2013 asset acquisition.

Deferred Income Tax

Deferred income tax consisted of a recovery of $93,959 in the three months ended September 30, 2013 and an expense of $57,484 in the nine months ended September 30, 2013, compared to recoveries of $123,726 and $520,689 in the respective comparative periods in 2012.

Income (Loss)

The Corporation incurred a loss of $334,256 ($0.03 per share basic and diluted) and realized income of $77,178 ($0.01 per share basic and diluted), respectively, for the three- and nine-month periods ended September 30, 2013, compared to losses of $567,545 ($0.04 per share basic and diluted) and $2,134,276 ($0.17 per share basic and diluted) for the respective comparative periods in 2012. The Corporation's acquisition that closed on April 30 moved it to a financial position where, depending on risk management gains and losses and commodity prices, it may fluctuate between income and loss from period to period.

Supplemental Quarterly Information

The following tables summarize key financial and operating information for the periods indicated:

Funds Flow from Operations

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Income (loss)	(334,256)	(567,545)	77,178	(2,134,276)
Non-cash items:				
Unrealized gain (loss) on risk management	467,019	-	(2,287,402)	-
Acquired office lease amortization	81,134	-	81,134	-
Share-based compensation	51,486	27,360	92,243	82,082
D&D	2,978,900	94,468	4,977,333	198,388
Impairment	-	124,000	-	124,000
E&E impairment	-	-	-	999,309
Net finance expense	2,061,622	162,801	4,139,260	336,024
Deferred income tax expense (recovery)	(93,959)	(123,726)	57,484	(520,689)
Funds flow from operations	5,211,946	(282,642)	7,137,230	(915,162)

Netback Analysis

	Three months ended September 30, 2013 $/boe	2012 $/boe	Nine months ended September 30, 2013 $/boe	2012 $/boe
Average sales price	**28.75**	20.45	**29.90**	17.17
Royalties	**(3.25)**	(1.10)	**(3.52)**	(1.70)
Production and operating expenses	**(12.31)**	(7.37)	**(12.18)**	(7.15)
Transportation expense	**(0.87)**	(0.94)	**(0.88)**	(0.88)
Operating netback	**12.32**	11.04	**13.32**	7.44
G&A and transaction expense [1]	**(2.49)**	(43.31)	**(4.44)**	(49.48)
E&E expenditures [2]	**(0.21)**	(9.57)	**(0.43)**	(11.01)
Realized gain on risk management	**1.05**	-	**0.21**	-
Funds flow netback	**10.67**	(41.84)	**8.66**	(53.05)
Net finance expenses	**(4.22)**	(24.10)	**(5.03)**	(19.48)
Office lease amortization	**(0.16)**	-	**(0.10)**	-
D&D	**(6.10)**	(13.99)	**(6.04)**	(11.50)
Share-based compensation	**(0.10)**	(4.05)	**(0.11)**	(4.76)
Unrealized gain (loss) on risk management	**(0.96)**	-	**2.78**	-
Impairment	**-**	(18.36)	**-**	(7.19)
E&E Impairment	**-**	-	**-**	(57.93)
Deferred income tax recovery (expense)	**0.19**	18.32	**(0.07)**	30.18
Income (loss) netback	**(0.68)**	(84.02)	**0.09**	(123.73)

(1) Excludes the office lease amortization included below.

(2) The September 30, 2012 per boe figures exclude the E&E impairment included below.

Selected Quarterly Information

Three months ended	**Sept. 30, 2013**	June 30, 2013	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011
($000's, except per share amounts, share numbers, and production figures)								
Financial								
Oil and natural gas sales	**14,040**	10,533	64	213	138	100	58	-
Funds flow from operations	**5,212**	2,877	(951)	(2,097)	(283)	(294)	(339)	(324)
Per share, basic	**0.40**	0.22	(0.07)	(0.16)	(0.02)	(0.02)	(0.03)	(0.03)
Per share, diluted	**0.07**	0.08	(0.07)	(0.16)	(0.02)	(0.02)	(0.03)	(0.03)
Income (loss)	**(334)**	1,514	(1,103)	(1,390)	(568)	(385)	(1,182)	(419)
Per share, basic	**(0.03)**	0.12	(0.09)	(0.11)	(0.04)	(0.03)	(0.09)	(0.03)
Per share, diluted	**(0.03)**	0.05	(0.09)	(0.11)	(0.04)	(0.03)	(0.09)	(0.03)
Capital expenditures	**4,371**	81,470	211	77	777	600	1,116	2,986
Total assets *(end of period)*	**124,892**	122,598	5,552	5,613	6,328	6,870	5,552	8,611
Working capital (deficit)(1) *(end of period)*	**(44,374)**	(43,136)	(2,838)	(1,531)	698	1,810	1,271	2,726
Shareholders' equity (deficiency) *(end of period)*	**(1,830)**	(1,547)	(3,165)	(2,074)	(711)	(171)	79	1,233
Weighted-average basic shares outstanding (000's)	**12,963**	12,902	12,813	12,813	12,813	12,813	12,813	12,209
Weighted-average diluted shares outstanding (000's)	**12,963**	47,825	12,813	12,813	12,813	12,813	12,813	12,209
Operations								
Production								
Natural gas *(Mcf/d)*	**25,443**	17,479	79	411	397	385	272	-
NGL *(bbls/d)*	**621**	415	1	11	5	2	1	-
Crude oil *(bbls/d)*	**447**	342	5	2	3	3	-	-
Total *(boe/d)*	**5,308**	3,670	19	82	74	69	46	-
Average realized prices								
Natural gas *($ per Mcf)*	**2.58**	3.60	3.48	3.70	2.47	1.97	2.03	N/A
Natural gas liquids *($ per bbl)*	**66.21**	55.64	63.26	58.76	64.97	67.78	75.36	N/A
Crude oil *($ per bbl)*	**102.61**	87.16	84.01	73.24	83.52	75.92	N/A	N/A
Operating netback *($ per boe)*	**12.32**	14.76	16.41	19.25	11.04	4.83	5.55	N/A
Funds flow netback *($ per boe)*	**10.67**	8.61	(568.25)	(279.49)	(41.84)	(46.94)	(80.01)	N/A

(1) Excludes flow-through share premium.

Capital Expenditures

	Three months ended September 30,		**Nine months ended September 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Land	**13,276**	1,344	101,998	416,876
Geological and geophysical	**-**	(7,976)	889	79,217
Drilling and completions	**398,693**	524,579	1,133,439	1,348,025
Production equipment and facilities	**801,772**	259,156	907,513	584,191
Well workovers and recompletions	**1,617,855**	-	1,642,461	64,755
Office equipment	**16,136**	-	105,334	-
Property acquisitions	**1,522,782**	-	82,159,743	-
	4,370,514	777,103	**86,051,377**	2,493,064

At September 30, 2013 the Corporation had E&E assets of $1,924,495. These included 17,407 acres of undeveloped land, 3.9 km^2 of 3D seismic data in the East Central CGU and 21 km^2 of 3D seismic data in the Westerose CGU. There were also costs incurred and capitalized for surveying and licensing of certain wells to be drilled in 2013.

At September 30, 2013 the Corporation had gross oil and natural gas interests of $117,734,151. This included 264,161 net acres of developed land and costs associated with the wells the Corporation has drilled, as well as acquired, to date. As well, $142,216 has been incurred since inception to purchase computer systems, printers and associated office furniture for use by management to evaluate oil and natural gas leads.

Share Capital and Option Activity

As at the date hereof, the Corporation had 12,963,001 Class A shares, 2,055,840 Class B shares, and 1,510,000 warrants outstanding. Each Class B share is convertible (at Questfire's option) into Class A shares at any time after September 30, 2014 and on or before November 30, 2016. The number of Class A shares to be issued upon conversion of one Class B share is calculated by dividing $10 by the greater of $1 and the then-current market price of the Class A shares. If conversion has not occurred by the close of business on November 30, 2016, the Class B shares become convertible (at the shareholder's option) into Class A shares on the same basis. Effective at the close of business on December 31, 2016, all remaining Class B shares will be automatically converted into Class A shares.

The Corporation also has two convertible debenture issuances, each of which has particular conversion features. As at the date hereof, there are $1,435,000 of 2012 convertible debentures outstanding, which are convertible into Class A shares at the holder's option at any time at a conversion price of $0.50 per Class A share. As of the date hereof, there are $32,585,000 of 2013 convertible debentures outstanding. These debentures have a 36-month term and are convertible into Class A shares at the holder's option at the Class A shares' trailing 20-day volume-weighted average trading price, for 30 days following any of the following events:

i. Questfire pays the accrued interest on the debenture by delivering Class A shares;
ii. Any event of default;
iii. Any conversion by the Corporation of Class B shares into Class A shares;
iv. October 31, 2015 (thirty months from closing);
v. April 1, 2016 (one month prior to maturity);
vi. Upon a change in control; or
vii. Any equity financing whereby the holder has the option to convert up to 50 percent of the total shares issued in the financing at the issuance price.

Liquidity and Capital Resources

At September 30, 2013 the Corporation had a working capital deficit of $44,373,757. Funds flow from operations for the three and nine months ended September 30, 2013 were $5,211,946 and $7,137,230, respectively. The funds generated from operations, when combined with the available bank financing, are well in excess of the current working capital deficit. Funds generated from operations are anticipated to be used for capital expenditures.

The $60.0 million bank line of credit had $43.2 million committed against the facility at September 30, 2013, comprising $42.0 million of outstanding bank debt, $864,539 of negative working capital and $350,000 in letters of credit issued to third parties. The facility bears interest at a range of prime plus 1 percent to prime plus 3 percent per annum, depending on the Corporation's senior net debt to cash flow ratio, requires the Corporation to maintain an adjusted working capital ratio of at least 1:1 and is secured by all of the Corporation's assets.

The size of the Corporation's capital expenditures will be determined by the total funding available through varying combinations of the funds generated from operations, additional debt or equity as market conditions may allow, and potential asset sales if the Corporation so chooses. Management believes that if a farm-out or asset sale were to be conducted, funds received would be sufficient to eliminate the current working capital deficit.

The Corporation generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Corporation may access capital markets to meet additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow generated from operations, the ability to draw on credit facilities and the ability to access debt and equity markets. Bank debt is classified as a short-term liability as it is a demand loan and could become payable within one year. The Corporation generated funds flow from operations for the period ended September 30, 2013.

The Corporation's credit facility is a demand loan, and as such, the banking syndicate could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment within the next 12 months. Indicators considered include the absence by the Corporation of any breach or default of bank covenants, and the recent completion of a credit facility. The Corporation further expects that it will have sufficient cash on hand to meet immediate obligations by actively monitoring its credit facilities through coordinating payment and revenue cycles each month and an active hedging program to mitigate commodity price risk and secure cash flows.

The Corporation believes that the current portion of the convertible debentures will be converted, but that it has adequate operating cash flow to repay the amounts if required. The Corporation believes that the convertible debentures due in three years will be repaid from operating cash flow and/or future equity.

Off-Balance-Sheet Arrangements

The Corporation does not have any special-purpose entities nor is it a party to any arrangements that would be excluded from the balance sheet.

Commitments

As at September 30, 2013, the Corporation is committed under a lease on its office premises expiring July 31, 2014 for future minimum rental payments, excluding estimated operating costs, of $108,178 for the remainder of 2013 and $252,415 for 2014.

Related-Party Transactions

The Corporation retains a law firm to provide legal services, in which one of the Corporation's directors (Roger MacLeod) is a partner. Legal fees in the amount of $20,856 and $302,940, respectively, in the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 - $7,756 and $58,527, respectively) were incurred by Questfire to the law firm, of which $Nil and $30,000 (three and nine months ended September 30, 2012 - $Nil and $34,000, respectively) was charged to debenture issuance costs, $20,856 and $50,830 (three and nine months ended September 30, 2012 - $7,756 and $24,527, respectively) was charged to general and administrative expenses, $Nil and $174,432 (three and nine months ended September 30, 2012 - $Nil for both periods) was charged to transaction costs and $Nil and $47,678 (three and nine months ended September 30, 2012 - $Nil for both periods) was charged to financing expense. As at September 30, 2013, $20,000 (December 31, 2012 - $24,824) related to these amounts was included in accounts payable and accrued liabilities.

Hedging

The Corporation initiated an active hedging program during 2013, with the objective to provide a measure of downside protection for its greater revenue and cash flow from operations associated with the asset acquisition that closed on April 30, 2013. As at September 30, 2013 the Corporation's hedges covered approximately 84 percent of its forecasted production for the fourth quarter of 2013 and approximately 55 percent for forecast 2014 production (see also "Risk Management" above).

Critical Accounting Judgments, Estimates and Accounting Policies

The Corporation's critical accounting judgments, estimates and accounting policies are described in notes 2 and 3 to the December 31, 2012 annual financial statements, and note 2 and 3 to the September 30, 2013 interim condensed financial statements. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of a magnitude to have a material impact on revenue, expenses, funds flow from operations, profit or loss and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Critical accounting estimates are those estimates that require management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the same period. The only changes to Questfire's key sources of estimation uncertainty during the nine months ended September 30, 2013 are outlined below:

a) Identification of Cash-Generating Units (CGUs)

The Corporation's upstream assets are grouped into CGUs, defined as the lowest level of assets for which there is separately identifiable independent cash inflow. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and interpretation. Factors considered in the classification include the integration among assets, shared infrastructure, common sales points, geography, geological structure and the manner in which management monitors and makes decisions about its operations. The recoverability of the Corporation's assets is assessed at the CGU level and therefore could have a significant impact on impairment losses and reversals.

b) Assets or liabilities held for sale

The decision to transfer property and equipment, exploration and evaluation assets and the related decommissioning provisions to assets or liabilities held for sale is based on management's determination that the assets or liabilities are available for immediate sale in their current condition and that the sale is highly probable.

c) Derivative commodity contracts

The amounts recorded for the fair value of risk management contracts are based on estimates of future commodity prices and the volatility in those prices.

d) Business combinations and asset acquisitions

The value assigned and the allocation of the purchase price to the net assets in an acquisition are based on numerous estimates that affect the valuation of certain assets and liabilities acquired, including the discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets, future oil and natural gas prices and other factors.

Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate. Management's assumptions may change over time as operating conditions change.

New Accounting Standards

Questfire adopted the following new and revised standards, along with any amendments, effective January 1, 2013, with no material impact on the Corporation's interim financial statements or MD&A:

i) International Financial Reporting Standard (IFRS) 7, *Financial Instruments: Disclosures*
ii) IFRS 10, *Consolidated Financial Statements*
iii) IFRS 11, *Joint Arrangements*
iv) IFRS 12, *Disclosure of Interests in Other Entities*
v) IFRS 13, *Fair Value Measurement*
vi) IAS 1, *Presentation of Financial Statements*
vii) IAS 28, *Investments in Associates and Joint Ventures* (amended in 2011)
viii) IAS 32, *Financial Instruments: Presentation*

Decommissioning provisions

Under the Corporation's previous accounting policy for decommissioning provisions, the estimate of the expenditure required to settle the present obligation at the balance sheet date was recorded on a discounted basis using the pre-tax risk-free interest rate and the future cash flow estimates were adjusted to reflect the risks specific to the liability. As at January 1, 2013, the Corporation voluntarily changed its accounting policy to use a credit-adjusted risk-free interest rate, and future cash flow estimates will not be adjusted to reflect the risks specific to the liability. The Corporation believes the change in discount rate provides reliable and more relevant information to the user of the financial statements as the discount rate is more consistent with the Corporation's cost of capital. The change in policy must be applied retrospectively and has resulted in property and equipment at December 31, 2012 decreasing by $71,000 with a corresponding decrease to decommissioning provisions of $71,000. Deferred tax, depletion and accretion amounts related to prior periods were not adjusted as any changes would be immaterial

Non-GAAP Measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry. The terms "operating netback" (oil and natural gas sales less royalties, production and operating expenses, and transportation) and "funds flow from operations" (cash generated from operating activities before changes in non-cash working capital and decommissioning provision costs incurred) do not have any standardized meaning under IFRS, which have been incorporated into Canadian generally accepted accounting principles (GAAP), as contained in part 1 of the Canadian Institute of Chartered Accountants' Handbook, and may not be comparable with similar measures presented by other companies. Management uses funds flow from operations to analyze operating performance and leverage. Funds flow from operations should not, however, be considered an alternative to, or more meaningful than, cash generated from operating activities, profit or loss, or other measures determined in accordance with IFRS, as an indicator of the Corporation's performance.

Basis of Barrel of Oil Equivalent

Petroleum and natural gas volumes are converted to an equivalent measurement basis referred to as a "barrel of oil equivalent" (boe) on the basis of 6 thousand cubic feet (Mcf) of natural gas equalling 1 barrel (bbl) or oil. This is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead, which under current commodity price conditions is greater than 30 Mcf to 1 bbl. Readers are cautioned that boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This document contains forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks including but not limited to those associated with oil and natural gas exploration, property development, production, marketing and transportation, dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", or similar words suggesting future outcomes. The Corporation cautions readers and prospective investors in the Corporation's securities not to place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation. Readers are further cautioned not to place undue reliance on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements.

The forward-looking information included herein is expressly qualified in its entirety by this cautionary statement. It is made as of the date hereof and the Corporation assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil and Natural Gas Liquids

bbl	barrel
bbls/d	barrels per day
boe/d	barrel of oil equivalent per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
GJ	Gigajoule. One Mcf of natural gas is about 1.05 GJ.

Other

AECO	refers to the AECO Hub, a natural gas storage facility located in Suffield and Countess, Alberta
$000s	thousands of dollars
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
km^2	square kilometre
3D	three-dimensional seismic survey data

Corporate Information

BOARD OF DIRECTORS

RICHARD DAHL (1)(2)(3)
President & CEO
Questfire Energy Corp.
Calgary, Alberta

STEPHEN BALOG
President
West Butte Management Inc.
Calgary, Alberta

NEIL DELL (3)(4)
Independent Businessman
Calgary, Alberta

KELLY DRADER (1)(2)
President and Chief Executive Officer
Longview Oil Corp.
Calgary, Alberta

ROGER MACLEOD (1)(2)(4)
Partner
Davis LLP
Calgary, Alberta

JOHN RAMESCU (3)(4)
Vice President, Land
Questfire Energy Corp.
Calgary, Alberta

OFFICERS AND KEY PERSONNEL

RICHARD DAHL
President & Chief Executive Officer

DARREN KISSER
Vice President, Engineering and Operations

FRED LAUDEL
Vice President, Exploration

JOHN RAMESCU
Vice President, Land

BRUCE SHEPARD
Vice President, Exploitation

RONALD WILLIAMS
Vice President, Finance & Chief Financial Officer

RODNEY KELLER
Project Manager

GRAHAM NORRIS
Corporate Secretary

Notes:
(1) Audit Committee
(2) Corporate Governance Committee
(3) Reserves Committee
(4) Compensation Committee

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LEGAL COUNSEL
Davis LLP
Calgary, Alberta

TRANSFER AGENT
Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING
TSX Venture Exchange
Symbols: Q.A and Q.B